

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS DAVID WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORIES
(GCA/USPS-T1-1 THROUGH 4)**

The United States Postal Service hereby files the responses of witness David William to the above-listed interrogatories of the Greeting Card Association dated December 23, 2011. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO GREETING CARD ASSOCIATION INTERROGATORY**

GCA/USPS-T1-1

Please refer to your prefiled testimony at page 5, lines 14-22. You state, at lines 19-22, that:

The objective of the modeling exercise was to determine whether excess capacity could be reduced significantly within the network if service obligations and operating constraints driven by current overnight First-Class Mail service standards were changed.

- (a) Please state whether, before the modeling exercise just described was initiated, or simultaneously, or subsequently, the Postal Service performed any similar exercise to determine whether excess capacity could be reduced significantly without changing the current overnight standard for First-Class Mail. If your answer is not an unqualified "no," please describe fully any such modeling exercise and provide any documents setting forth, explaining, or evaluating it.
- (b) Should the reference to overnight First-Class Mail service standards in the quoted passage be understood as covering overnight service for Periodicals as well as for First-Class Mail? If your answer is negative, or if there are differences between the overnight standards for these classes, please explain fully.

RESPONSE

- (a) Yes, the Postal Service continually looks at the capacity within its mail processing network and seeks to eliminate it. As discussed on page 3 of my testimony (USPS-T-1), the Postal Service has been actively pursuing AMP consolidations to reduce capacity within the network, with 114 AMP consolidations approved to-date under the June 2008 Network Plan. As further discussed, in light of the future projections related to mail volumes, as well as our current financial plight, the Postal Service looked at how to reduce the capacity of the network in order to align the mail processing network with the mail volumes of today, while setting up the network for the future.

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RESPONSE to GCA/USPS-T1-1 (continued)

The Postal Service in identifying alternative scenarios looked at how constraints within the mail processing network affected the need for capacity. The extent of this analysis to identify the consolidation opportunities, however, was not of a similar exercise to that which is presented within this case. As the constraints on overnight service standards were loosened, the Postal Service found significant consolidation could occur which would much more fully maximize the use of equipment, labor and facilities. Changes to service standards are necessary to more fully utilize the Postal Service's assets. As there is only so much time between mail collection and mail delivery, the overnight standard confines the amount of processing time allowed for delivery point sequencing and causes the need for additional equipment which translates into additional facility square footage. The analysis performed suggested the savings potential from maintaining some level of overnight service standards, with some relaxation of overnight relationships was not as great as the proposed change, and based on the financial condition of the Postal Service, as well as the forecasts related to First-Class Mail volumes, the organization determined to more fully evaluate the potential opportunity based on the proposed network laid out in this docket. A copy of the analysis will be filed as USPS Library Reference N2012-1/47.

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RESPONSE to GCA/USPS-T1-1 (continued)

- (b) No. There are differences in the overnight standards for these classes, specifically related to the processing of this mail volume, as well as the make-up of this mail volume. Periodicals mail volume entered by mailers is presorted. The Critical Entry Times (CETs) for Periodicals Flats were modified to conform the service standard requirement of this mail class with the processing requirements in an Flats Sequencing System (FSS) environment in May of 2011. This change in CETs essentially moved the entry time earlier in the day, commensurate with the beginning of flat sequencing on the FSS. As stated, First-Class Mail, due to the operating constraints dictating when Delivery Point Sequencing would have to occur in order to allow for overnight delivery of single piece collection mail volume was the constraint in the network that the modeling exercise focused.

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GCA/USPS-T1-2

Please refer to your prefiled testimony at page 17, line 22, through page 18, line 2. You state that First-Class Mail, which is declining in volume, has "historically been the primary source of funding for mail processing and delivery infrastructure." Did the Postal Service give consideration to seeking increased levels of processing and delivery infrastructure funding from other classes of mail, either (i) as an alternative to elimination of First-Class overnight delivery or (ii) as an independent deficit-reduction measure? If your answer is not an unqualified "no," please describe such consideration fully, and provide any documents setting forth, explaining, or evaluating it.

RESPONSE

Pricing policy is beyond my area of expertise. However, I am informed that the Postal Service has not considered pursuit of a market-dominant product price increase that would exclude First-Class Mail, either as (i) an alternative to the service and operational changes under review in this docket or (ii) as a deficit reduction measure.

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GCA/USPS-T1-3

Please refer to your prefiled testimony at page 16, lines 12-15, and fn. 17.

- (a) In arriving at the conclusions expressed in the cited passages, did you consider the cumulative effect on Single-Piece First-Class Mail entry of –
- (i) The Retail Access Optimization Initiative, currently before the Commission in Docket No. N2011-1; and/or
 - (ii) The potential elimination of Saturday street delivery and pickup, substantially as set forth in the proposal presented in Docket No. N2010-1; and/or
 - (iii) Any existing or future Postal Service actions to reduce the number of street collection boxes, and/or
 - (iv) The possibility of an exigency-based rate increase, as proposed in Docket No. R2010-4R, in combination with a price-capped increase early in 2012,
- when combined with the Mail Processing Network Rationalization plan (hereafter, "MPNR plan")? If your answer to any of (i) – (iv) is other than an unqualified "no," please describe such consideration fully, and provide any documents explaining or evaluating such consideration or the effect(s) being considered.
- (b) You state that the potential impact of the MPNR plan on Single-Piece First-Class entry would be "much less significant" (USPS-T-1, page 16, line 13). Did you attempt to quantify or otherwise make more specific that potential impact? If so, please (i) describe your procedure and results, (ii) state whether this exercise included distinguishing between transactional and non-transactional uses of Single-Piece First-Class Mail and describe any differences in impact as between these two categories, and (iii) provide any documents setting forth, explaining, or evaluating that procedure and those results, as specified in both (i) and (ii).

RESPONSE

(a)(i-iv) No.

(b) No.

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GCA/USPS-T1-4

Please refer to your prefilled testimony at page 19, lines 8-12. Are the “additional sortation or other mail preparation” activities which enable a bulk mailer to retain overnight delivery for mail entered after the Day Zero Critical Entry Time specified in a Postal Service rule, publication, or other publicly available source? If so, please provide such source(s) or state how they may be accessed.

RESPONSE

The Postal Service has active customer service agreements (CSA) with its customers. The guide to customer service agreements can be found at the following link:

https://ribbs.usps.gov/intelligentmail_guides/documents/tech_guides/CustomerSupplierAgreementGuide.pdf

In some instances, later acceptance/dispatch times could be allowed by local management based on the additional separations created if that mail can still meet the service standards.